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SUBJECT: MADRID WEEKLY ECON/COMMERCIAL/AG UPDATE - MARCH 31  
APRIL 4

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#### BUSINESS ACTIVITY DECLINING

- [1](#)1. (U) Manufacturing and services sector surveys indicate that Spain experienced a notable decline in economic activity this past month. The March Spanish purchasing managers index (PMI) shows a 16 point drop from a year ago, the sharpest decline in the survey's 9-year history. Local businesses reported a decline in new orders and lower economic activity overall. Manufacturing data also showed a similar decline in activity. The Financial Times says that this is leading to fears that Spain will experience the a hard landing. (FT, 4/4/08)

#### CALL FOR IMMIGRANTS

- [1](#)2. (U) Due to Spain's aging population and low birth rates, 157,000 new immigrants will be needed to fill jobs each year until the year 2020, according to a study from the Fundacion Empresa y Sociedad. (Comment: We believe the current inflow of immigrants seeking to enter the labor force is even greater than this amount.) (Metro 4/3)

#### EX-FINANCE MINISTER CRISTOBAL MONTORO TO COORDINATE PP ECONOMIC POLICY

- [1](#)3. (U) The former minister is closely associated with another former Finance Minister, Rodrigo Rato. (Comment: Rajoy's choice leaves commentators wondering what job (if any) will be offered to his supposedly star recruit, Manuel Pizarro, not to mention what will happen with other PP economic heavyweights such as Juan Costa and Miguel Arias. Rajoy is

certainly choosing his own team and keeping his own counsel in doing so.) (ABC, 4/3/08)

#### NATIONAL COMPETITION AUTHORITY (CNC) TO OPEN INVESTIGATION INTO EGG, BREAD AND CHICKEN INDUSTRIES

¶4. (U) The CNC is reported to be reviewing e-mails, internal documents, and even an August 29, 2007 press release to see whether industry associations engaged in anti-competitive practices such as "recommendations" to members and/or "conscious parallel" pricing. Explicit price-fixing deals are not expected to be found. Specifically, the food and beverage association (FIAB), the chicken association (Propollo), and the egg association (Improve) and a number of other associations are under investigation. (Comment: The CNC probe is likely to be followed with considerable interest, as there are a lot of complaints about price hikes for basic foodstuffs.) (El Pais, 4/3/08)

#### MADRID AUTONOMOUS COMMUNITY TO DO MORE TO ATTRACT, KEEP FOREIGN INVESTMENT

¶5. (U) The regional government is working with the Madrid Chamber of Commerce, which already has offices in Mexico City, Miami, Sao Paulo and Shanghai. In 2008, offices in New York and Tokyo will be opened. (Comment: The PP- governed Madrid regional government does not think that the national PSOE government treats Madrid well, so it plans to do more to attract and keep foreign investment, much as Catalonia and the Basque Country already do.) (Expansion, 4/1/08)

#### OPEN SKIES AGREEMENT BRINGING U.S., SPAIN CLOSER

¶6. (U) The Open Skies agreement that went into effect on March 27 will result in 15 new flights a week between Spain and the U.S. by Iberia, American, Continental, and Delta. Budget airline Ryanair has expressed interest as well. (Metro 4/2)

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#### BOEING SPAIN ANNOUNCES FIRST-EVER AIRPLANE FUEL CELL BATTERY

¶7. (U) At an April 3 event attended by Ambassador Aguirre and the GOS Secretary General of Industry, Boeing Spain announced that it has flown a manned airplane powered by hydrogen fuel cells - the first time this has happened in aviation history, according to the company. The airplane and fuel cell technology were created at Boeing's Research and Technology Europe Center in Madrid with assistance from industry partners from various countries. Three test flights took place in February and March 2008 at the airfield in Ocana, south of Madrid. On each of the flights, the test pilot relied solely on fuel cell power while cruising at 3,300 feet for 20 minutes. Boeing does not expect that fuel cells, which have zero carbon dioxide emissions, will ever be able to provide primary power for large passenger airplanes. But company researchers believe the technology could power smaller aircraft and be applied to secondary power units to improve environmental performance. (All media, Boeing press release, Embassy)

#### CONSTRUCTION FIRMS TO BID ON PENNSYLVANIA TURNPIKE PROJECT

¶8. (U) ACS and Abertis have agreed to present a joint bid. Initially they were going to bid separately, but the tightening credit conditions have made this impossible. The two companies, bid is being financed by Citibank, UBS and Santander. Ferrovial subsidiary Cintra is also bidding on the project and is being financed by Macquarie, an Australian bank. The Australian construction firm, Transurban, is the third bidder. Morgan Stanley is advising the state of Pennsylvania on the USD 15 billion 800 km project. (Expansion 3/31/08)

#### REPSOL BEGINS MAJOR EXPLORATION PROJECT NEAR BRAZIL

19. (U) In the upcoming four years, Repsol plans to spend the majority of its investment resources (over 9 billion euros) in exploration and production in three primary regions: 1. the Gulf of Mexico/Brazil, 2. North Africa (including Algeria) and 3. Trinidad and Tobago/Latin America. This past March, Repsol, as part of a larger consortium, began exploration activities in waters off the coast of Brazil. This project in Cuenca de Santos is considered to be one of the largest projects for Repsol under its 2008-2012 strategic plan. (Expansion, 4/2/2008)

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